BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Pacific Gas and Electric Company (U39E), Southern California Edison Company (U338E), San Diego Gas & Electric Company (U902E), and Southern California Gas Company (U904G) submitting the California Energy Efficiency Strategic Plan.	A08-06-004 (Filed June 2, 2008)

THE DIVISION OF RATEPAYER ADVOCATES' PROTEST ON THE JUNE 2, 2008 REVISED CALIFORNIA ENERGY EFFICIENCY STRATEGIC PLAN

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I. INTRODUCTION

The Division of Ratepayer Advocates (DRA) submits the following protest to Application (A.) 08-06-004, the California Energy Efficiency Strategic Plan (CEESP or Strategic Plan) jointly filed by Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company[1] on June 2, 2009. In Decision (D.) 07-10-032, the Commission directed the Utilities to file a long-term strategic plan through 2020 that reflected the Commission's strategic planning workshop process that began in summer 2007 and continued through the end of the year. To facilitate these workshops, Energy Division appointed "conveners" to gather and organize input from stakeholders related to devising energy efficiency strategies for

[1] DRA's protest refers collectively to Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company as "Utilities."

individual market sectors. These workshops resulted in a compiled "Conveners Report" of presentation materials and stakeholder input.[2]

The Utilities first filed a draft version of the Strategic Plan as directed by D.07-10-032. The Commission also indicated in that decision that parties could provide comments to the Utilities on their draft Plan. The Utilities indicated that comments received by March 24 would be considered in planning their 2009-11 energy efficiency portfolios. DRA submitted comments to the Utilities on March 24 that explained the Strategic Plan should impact the development of the energy efficiency portfolios. The Commission's schedule indicated that the Utilities should file an application of their revised Strategic Plan by May 15, 2007. On May 5, 2008, the Commission extended the deadline to June 2.[3]

After review of the Utilities' revised long-term Strategic Plan, DRA submits this protest for the reasons summarized below:

- **The June 2 Strategic Plan fails to provide a long-term roadmap through 2020:**

  The June 2 Strategic Plan summarizes the Conveners Report from the workshop process that identifies barriers and strategies, but it does not provide a roadmap for how to implement those strategies in the next round of portfolios, and there is little strategy articulated beyond 2011.

[2] This report is also referred to as the Appendices of the revised draft Strategic Plan, posted on March 6, 2008 at www.californiaenergyefficiency.com.

[3] The June 2 revised Strategic Plan was published in the Commission's June 9, 2008 Daily Calendar. Accordingly, DRA's protest on the Plan is filed in a timely manner. CPUC Rules of Practice and Procedure, Rule 2.6.

- **The Strategic Plan and the proposed new Order Instituting Rulemaking (OIR) should be the umbrella for integrated Demand Side Management (DSM) and include other relevant energy programs, not solely energy efficiency:**

  The Strategic Plan should cover Integrated DSM efforts otherwise the OIR process is only reinforcing bureaucratic silos by sub-dividing Energy Efficiency.

- **DRA supports Energy Division's assumption of responsibility for the Strategic Plan through the new OIR process in order to continue the Commission's leadership role across jurisdictions to promote statewide coordination:**

  DRA recommends the process be carried out under the guidance of a stakeholder advisory Task Force and with the assistance of a consultant that has expertise in developing long-term strategic plans.

- **Market transformation rules and measurement must be defined in order for a strategic planning process to be successful:**

  Such market transformation strategies should also be applied to the energy efficiency portfolios for which they provide guidance.

- **The next round of energy efficiency portfolios must be guided by a finalized Strategic Plan:**

  The strategic planning process will be rendered meaningless unless one-year bridge funding is provided so that portfolios are developed that truly reflect the Strategic Plan.

DRA elaborates on each of these issues in the discussion below.

II. DISCUSSION

Decision (D.) 07-10-032 wisely recognized that in order to realize the full potential of energy efficiency, California must have a forward-looking, detailed Strategic Plan and shift its focus to more progressive long-term strategies:

> "The final Strategic Plan must also be a blueprint to achieve the Big Bold energy efficiency initiative and LIEE policy objectives of D.07-10-032 and D.07-12-051. Beyond that, we expect the final Strategic Plan to include innovative, even groundbreaking, strategies to continue and expand upon California's leadership role in achieving cost-effective energy efficiency."[4]

DRA agrees with this vision of the next stage of energy efficiency in California.

While DRA appreciates the magnitude of the challenge undertaken by the Utilities to translate input from stakeholder workshop participants into a statewide long-term Strategic Plan, the June 2 version does not adequately translate the draft Strategic Plan to a workable blueprint for either near-term portfolio implementation or long-term planning. Given that the traditional role of the Utilities is that of energy efficiency portfolio administrators, the broader challenge of articulating the coordination of such diverse market forces, players, and timelines is a daunting task. Based on the critical flaws that remain in the Plan, DRA believes that the Utilities have taken the Plan as far as possible given their specific area of expertise. DRA therefore supports the Commission's intention to open a new OIR on Strategic Planning to be managed by Energy Division.[5]

The energy efficiency portfolios as currently managed by the Utilities are but one component of the long-term Strategic Plan. Proactive leadership by the Commission allows the strategic planning process to achieve optimal energy

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[4] February 15, 2008 Assigned Commissioner's and Administrative Law Judge's Ruling Requiring Supplement of Preliminary Energy Efficiency Strategic Plan, p. 2.
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savings by coordinating statewide across jurisdictions and sister agencies to leverage and maximize resources.

DRA views the purpose of the Strategic Plan as defining the steps needed to achieve market transformation of best energy efficiency measures and practices across California. Given the number of market participants and stakeholders, the Strategic Plan must be pursued in concert with a number of stakeholders and market participants. The role of shareholder incentives is inadequate to motivate the Utilities to focus beyond their financial interests and traditional strengths. Consequently, the Utilities are not best positioned to either develop or implement a long-term strategic energy plan that impacts so many other market players. In order for California to truly realize all potential cost-effective energy savings, a strategic planning process that pursues both market transformation within energy efficiency portfolios and independently of the energy efficiency portfolios must be implemented.

A long-term strategic plan is critical to ensure that long-term goals are met to transform the culture of energy use in California. Yet for a Strategic Plan to be both successful and accountable to ratepayers, the Commission must distinguish between responsibility for using gross savings goals for California's procurement needs and oversight of the appropriate use of ratepayer funds by Utilities to optimally design programs to obtain energy savings that are net of free riders.

Accordingly, the Strategic Plan is a way to maximize energy savings in California, of which the Utilities' limited abilities to procure energy savings from resource programs is but one piece of the larger energy savings pie that is addressed by the entire integrated DSM Strategic Plan. DRA expects to participate in the new Strategic Plan OIR to delineate issues of scope further. In the meantime, DRA addresses the following key issues on the Strategic Plan.

(continued from previous page)
[5] *See* http://docs.cpuc.ca.gov/PUBLISHED/AGENDA_DECISION/84962.htm

A. The June 2 Strategic Plan fails to provide a long-term roadmap through 2020

Based on the Commission's direction in D.07-10-032, DRA expected a Strategic Plan that articulated a plan of action:

> "The Plan must be specific enough to serve as a roadmap to meaningful action in the near term, while providing direction for future program design and development through 2020 and beyond."[6]

However, DRA believes that the June 2 Plan does little more than serve as an edited summary of the 2007 strategic planning workshop Convener Reports. This version of the plan is better organized than its draft predecessor, but the same basic problems remain:

- There is little guidance for upcoming or future energy efficiency portfolios.
- Strategies beyond 2011 are either vague or nonexistent.
- The Strategic Plan continues to be an outline of strategies with no implementation actions or milestones.

DRA addressed these issues in great detail in its comments on the draft Strategic Plan.[7] Given that significant concerns remain the same from the draft Plan, DRA attaches those comments as Appendix A[8] to this Protest to fully illustrate its continuing concerns.

The high-level approach presented in the June 2 Plan is more comparable to a white paper than a roadmap to achieve market transformation. A long-term

[6] D.07-10-032, p. 20.

[7] Provided by DRA to the Utilities on March 24, the date set by the Utilities for receipt of comments in time to impact their 2009-11 Energy Efficiency portfolios.

[8] http://www.californiaenergyefficiency.com/docs/strategicPlanningComments/PEESP-Comments-DRA.doc

strategic plan, by its nature needs not only to envision trends, but also to make recommendations that will inform the steps that must follow in order to achieve long-term goals through influence and action. The absence of this kind of vision from the Plan underscores the risk-averse, utility-centric nature of the Strategic Plan that underscores why the Utilities are not the ones to articulate the Plan. Instead, the Utilities should be one set of a variety of stakeholders to provide input into the Strategic Plan and then develop portfolios that are prescriptively guided by the Plan.

Conversely, in those limited cases in which the Utilities do make specific recommendations, those recommendations are not actions that would move toward market transformation in a timely manner. In some instances, such as for the residential sector, programs are described as pilots through 2020.[9] In other cases, such as financing for the commercial sector, programs are in the research and development mode for years before <u>any</u> concrete action is taken.[10] The examples of ambiguity are rampant throughout the June 2 Plan.[11] The matrices that serve as "implementation plans" at the end of each chapter are typically vague beyond 2011 utilizing only descriptions such as "revise," "update," "ongoing," "continual improvement," "maintenance," or a good portion of them are simply blank. The Strategic Plan needs less emphasis on pilots and development and more focus on real customer programs and strategies that can be implemented and regularly evaluated for long-lasting results. Without the specific delineation of milestones that demonstrate increasing market share that envisions new trends and technologies articulated through 2020, this does not comprise a long-term strategic plan.

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[9] CEESP, p.2-16. Additionally, the Utilities continue to persist in defining integration as a series of pilot programs for the length of the Plan and to defer devising a strategy for integrating energy programs for the purpose of marketing to customers (see chapter 8 of the Plan).

[10] CEESP, p. 3-15.

[11] CEESP, see the matrices of Implementation Plans at the end of each chapter.

The near-term strategies are just as unclear in how they would be implemented. The Utilities asked stakeholders to provide comments on the draft Plan by March 24, 2008 in order for comments to have impact on the 2009-11 portfolios. Ironically, there is very little detail in the Strategic Plan that appears to be intended to "influence" the Utilities plans for shaping the 2009-11 energy efficiency portfolios.[12] As a matter-of-fact, in reading through the most recent Strategic Plan, it appears that the Utilities as energy efficiency portfolio administrators rarely play a lead role in the long-term Strategic Plan. While DRA agrees that the IOUs are only one set of players in the pursuit of energy savings in California, the few points of reference to portfolios in the Strategic Plan that mention portfolio elements such as rebates or energy measures do not provide specifics about how they will be implemented or evolve over time in the Utility-managed portfolios. The lack of detail in the Strategic Plan on near-term strategies for the portfolios is troubling since the Utilities have largely already formulated their portfolio strategies. Furthermore, the Strategic Plan does not discuss how Utility portfolios will evolve between now and 2020, by addressing end-games for some strategies and entrance of other new strategies. DRA is significantly concerned for the next round of energy efficiency portfolios if the Utilities are unable to articulate their portfolio plans in the context of a long-term strategy.

Finally, the Strategic Plan should be informed by market transformation rules and activities to be defined and documented in the energy efficiency Policy Rules. DRA's ultimate objective is for ratepayer dollars to be spent on activities that target market transformation. Without this focus, ratepayers will continue to fund the same type of programs and energy savings endlessly. Ratepayer funds for energy efficiency should be limited to those portfolio expenditures that are

[12] Additionally, IOU public presentations of their 2009-11 EE portfolios appeared to be very similar to their previous portfolios and did not appear to be sufficiently influenced or rationalized in the context of a long-term Strategic Plan.

consistent with a Commission-approved Strategic Plan that embraces a market transformation approach, as DRA describes in these comments.

B. The Strategic Plan and its new OIR should cover integrated DSM programs, not solely Energy Efficiency

DRA supports the proposed new strategic planning OIR. The new OIR should serve as a venue for integrated Demand Side Management (DSM) planning.[13] As DRA previously recommended, the long-term Strategic Plan should not be the California Energy Efficiency Strategic Plan, but the long-term integrated DSM Strategic Plan. An integrated Strategic Plan should further seek to encompass other related energy programs that will benefit customers by collaboration and leverage. Otherwise, without such a procedural venue for integrated planning, the splintering-off of strategic planning to its own OIR will only serve to proliferate the bureaucratic silos by further sub-dividing Energy Efficiency. Comprehensive planning across all DSM programs makes it more likely that the Commission will achieve goals such as zero-net energy for all new residential dwellings constructed by 2020 and beyond, one of the big bold energy efficiency strategies formulated during the 2007 workshop process and recommended in D.07-10-032.[14] Integration efforts should also serve to lower program costs such as marketing.

C. DRA supports Energy Division's management of the Strategic Plan in order to continue the Commission's leadership role across jurisdictions to promote statewide coordination

The Commission recognized in D.07-10-032 that to fully realize the potential of energy efficiency that a new, more innovative vision must be pursued:

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[13] This is consistent with DRA's previous comments on DSM integration, which is attached at Appendix A to DRA comments on the draft Strategic Plan.

[14] *See* D.07-10-032, Finding of Fact 7, p. 129.

> "…an approach that transcends regulatory, programmatic and jurisdictional constraints, and emphasizes a broader view of the energy efficiency landscape."[15]

The Commission further acknowledged that developing a long-term strategic plan for deployment of energy efficiency in California would require the involvement of many stakeholders, including those who have not traditionally participated in Commission proceedings. The Commission, under Energy Division's leadership brought together numerous and diverse stakeholders during the strategic planning workshops to consider "Big Bold Energy Efficiency Strategies" (BBEES) that commenced in summer 2007. Through this process, the Energy Division demonstrated its commitment and aptitude to manage the complex and challenging planning process. Accordingly, DRA supports the Commission's intention to open a new OIR to manage the strategic planning process under the supervision of Energy Division. In addition, DRA makes the following recommendations.

Energy Division should form an advisory task force of stakeholders and market sector leaders (a microcosm of its workshop process) to guide the planning and writing process for the Strategic Plan. The formulation of a Strategic Plan through an advisory task force would allow stakeholder buy-in and address nascent and changing issues of market transformation. This would also allow for the development of sub-advisory groups with more narrow focus. Although the previous record and convener reports can certainly serve as the foundation for the new OIR, an evolving marketplace requires ongoing expert input to continually advise and re-shape the Plan. DRA believes that the Commission should continue to support and develop these relationships that began at the start of the strategic development process last year.

Additionally, DRA recommends that Energy Division hire a consultant with expertise in developing and writing successful strategic plans that define

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[15] D.07-10-032, p. 4.

milestones and articulate implementation actions.[16] DRA believes that Energy Division can provide the leadership and vision of overseeing the Strategic Plan, but would benefit from expertise in this new area.

D. Market Transformation rules must be defined to ensure a successful long-term Strategic Plan

In order to achieve long-lasting results from a Strategic Plan, market transformation must be an integral, overarching objective reflected throughout the Plan. For market transformation to succeed there must be:

1) clearly defined rules to determine both strategic approach and measure success;
2) strategies that target net energy savings.

The Utilities address market transformation in the June 2 Strategic Plan,[17] but the Plan does not articulate how strategies will be applied over the next several years with the goal of phasing-out successful (or non-successful) programs and introducing new programs and technologies in a dynamic environment. Accordingly, without rules there may be no incentive for program managers to phase-out programs that no longer warrant ratepayer subsidy or are otherwise ineffective. The June 2 Strategic Plan articulates a "theory" of market transformation, but it is not sufficiently illustrated in the Plan. The Plan lists types of strategies, but without rules for determining when a particular measure is at its end-game, strategies may be implemented endlessly, especially if the Utilities continue to be rewarded for implementing the same "usual suspect" programs that hone-in on shareholder incentives, but do nothing to move or change the market.

The objective of the Strategic Plan should be a clearly organized and articulated set of tactics and targeted milestones to achieve measurable changes in

[16] D.07-10-032, Ordering Paragraph 44, stipulates that the Executive Director may hire a consultant to support Energy Division "for the purpose of advancing the energy efficiency strategic planning work."

[17] CEESP section 1.5, pp. 1-4 to 1-5.

the marketplace. Market transformation, as reflected in the BBEES planning process, cannot be achieved without action beyond that of the Utilities. Given the complex nature of the marketplace, a Strategic Plan must be pursued in concert with a number of overlapping strategies to leverage opportunities and economies of scale.

The pursuit of market transformation as a goal is consistent with the Commission's strategic intent for energy efficiency:

> "The Utilities' proposed energy efficiency portfolios for 2009-2011 shall be designed in recognition of the following evaluation criteria [including] [i]dentifying an "end game" for each technology or practice that transforms building, purchasing, and use decisions to become either "standard practice" (sometimes referred to as "market transformation"), or incorporated into minimum codes and standards[]."[18]

The Commission's current minimal definition of market transformation is insufficient to guide program design or to determine when program measures and strategies have reached their end-game. This definition was developed in 1998 and does not support the current state of strategic planning and shareholder incentives. While D.07-10-032 recognized that market transformation consists of "'l]onglasting, sustainable changes in the structure or functioning of a market achieved by reducing barriers to the adoption of energy efficiency measures to the point where further publicly-funded intervention is no longer appropriate,"'[19] the definition would benefit from the development of supporting rules and guidelines.

To ensure that energy efficiency portfolios do not remain in the current "treading water" mode by repeating programs and targeting the same energy savings over and over, market transformation rules should be established and enforced as part of the Commission's Policy Rules. DRA recommends

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18 [D.07-10-032, Ordering Paragraph 20, p. 144.

19 D.07-10-032, p. 21, citing D.98-04-063, Appendix A.

development of clear criteria for guiding the Commission and portfolio administrators when certain types of programs no longer need ratepayer subsidies. Continuing to maintain such broad and overly simplistic language as the sole definition of market transformation provides little guidance for an actual end-game approach. Instead, without Commission-sanctioned rules, determination of need will be left to the "discretion" of portfolio administrators that may choose to interpret rules to their own best interests.

DRA recommends the development of market transformation rules through a workshop process facilitated by Energy Division with input from stakeholders. In developing these rules, the Commission should set a basic guiding tenet: it is not the responsibility of ratepayers to exhaustively subsidize energy efficiency until "all" market transformation has been realized. For instance, DRA does not expect that ratepayers will underwrite compact fluorescent lamps (CFLs) until every last light socket in California is filled, but should instead implement strategies that will bring measures and products to a tipping point that defines its end-game. Then ratepayer funds should be used to fund new strategies that need assistance in finding a foothold in the marketplace.

DRA supports an approach that identifies barriers and puts into place strategies that are likely to provide outcomes for long-lived results that will either become part of law or standard practice in the market place. The Northwest Energy Efficiency Alliance (NEEA) has developed principles for evaluating market transformation[20] that would serve as a useful model for California in developing Market Transformation guidelines. Energy Division should develop a list of criteria that will guide the development of the Strategic Plan as well as the

[20] NEEA's Definition of Market Transformation.
http://www.nwalliance.org/participate/docs/NEEAMTDefinition2008.pdf

content of DSM portfolios in determining whether energy programs warrant ratepayer subsidy. Such criteria may include:

- Identification of remaining barriers in the marketplace.
- Progress made based on current strategies.
- Identification of other market players, besides ratepayers, that are addressing barriers.
- Changes in consumer behavior: have perceptions changed, purchasing habits, is technology/marketing aligned with customers needs?
- Evaluation of whether changes in the market are lasting.
- Determination of whether customers are aware of their conservation/ technology options?
- Assessment of whether manufacturers and retailers are making technologies sufficiently available to consumers.
- Evaluation of whether of whether emerging technologies are being developed and moved through the pipeline and into the marketplace.
- Assessment of whether optimal codes are being developed with corresponding enforcement to ensure compliance.

Understanding these relevant aspects of the marketplace, as well as consumer behavior, would also serve to demonstrate whether portfolio administrators and other program managers are employing the right kinds of strategies to transform the market.

Following the workshop process for developing criteria, Energy Division should determine a final set of criteria rules and publish it as part of the policy rules. Energy Division should then work with its consultants to develop a plan to measure market transformation.

DRA has one final observation on market transformation: properly defined energy efficiency savings goals are critical to achieving market transformation.

DRA will address the need for net energy savings to guide optimal program design and accountability for ratepayer dollars in greater detail in its comments on the Commission's July 1, 2008 proposed decision on energy efficiency goals.[21] However, it bears repeating in the context of long-term strategic planning and market transformation that if the Commission establishes gross goals for the 2009-2011 portfolios, those gross goals will undermine program design (which is essential to maximize ratepayer investment in energy efficiency) and sabotage the goal of market transformation.

E. The next round of EE portfolios must be guided by a finalized Strategic plan

As the Commission noted regarding the Utilities' role as Energy Efficiency program administrators:

> "This model can be effective in accomplishing certain short-term savings goals but without more strategic and longer-term planning, is limited in achieving savings over the longer term and perhaps even over the three-year portfolio cycle."

If the 2009-11 or future portfolios are not guided by the long-term Strategic Plan, then the strategic planning process will be rendered meaningless. The Commission's leadership across jurisdictions is essential and important. However, it is the Commission's jurisdiction over a multi-billion dollar energy efficiency portfolio budget that empowers the Commission to significantly impact energy savings. Accordingly, in order for DRA to continue to support the spending of ratepayer dollars on energy efficiency programs, the energy efficiency portfolios would have to reflect a Commission-approved market transformation oriented Strategic Plan.

DRA perceives the importance of having a Strategic Plan to be two-fold:

[21] July 1, 2008 Proposed Decision Adopting Interim Energy Savings Goals for 2012 Through 2020, and Defining Energy Efficiency Savings Goals for 2009 through 2011.

- To maximize integrated energy savings for California through market transformation.
- To provide the roadmap and guidelines for how to achieve those market transformations goals.

In order to reflect the Strategic Plan, more time is needed to develop appropriate portfolios. Given that utility public presentations of their expected portfolios describe portfolios very similar to their current portfolios, it should not be disruptive to provide bridge funding for one year.

Additional time would allow several important foundational issues to first be resolved:

- Determine market transformation rules and measurement.
- Evaluate and revise the incentive mechanism so that it can motivate market transformation.
- Revise goals for 2010-2012 so that net goals could be adjusted to reflect realistic utility potential and not set market transformation up for failure by adopting a poor precedent for setting gross energy savings targets as the objective, merely for procedural expediency.

In the Low Income Energy Efficiency (LIEE) proceeding, R.07-01-042, DRA has found the Commission's proceeding schedule to be even more rushed. In that proceeding, 2009-11 portfolios must address significant budget increases and major policy changes including:

- Tiering customers by energy use, such that high energy users would be privy to more service than low energy users.
- Introducing a statewide marketing plan for the LIEE program.
- Altering an established methodology used to determine how many low income ratepayers are eligible for service.

Each of these policy changes has the potential to have a major impact on the CARE and LIEE programs, and may ultimately determine whether or not California's low income ratepayers receive energy relief. DRA, along with other parties, requested additional opportunities to consider the proposed changes through hearings and testimony in order to set the needed appropriate foundation to move forward with strong LIEE portfolios. DRA's request was denied.

Similarly, in the Demand Response proceeding,[22] DRA believes that proposed programs would benefit from further review, rather than hasty approval of proposals that are currently missing information. For example, the Utilities have inconsistently applied cost-effectiveness protocols, which makes statewide utility programs difficult to compare. Nor do the proposals include final plans and methodology for integrating all DSM programs (Demand Response, Energy Efficiency and Low Income Energy Efficiency) and for allocating total load impacts and all common costs between integrated programs. Moreover, the Commission has not yet adopted the final cost effectiveness protocols needed to determine the cost effectiveness of the proposed DR programs. In addition to cost effectiveness protocols, in the current Rulemaking (R.)07-01-041 the Commission has yet to address many issues related to integration of utilities' DR programs with CAISO's Market Restructuring and Transmission Update (MRTU) plans currently underway.

DRA understands and supports the goal of advancing these DSM proceedings expeditiously, and maintaining them on the same funding cycle, to promote program continuity and to address the urgency of climate change. This is why bridge funding is the solution to both the concern of resolving issues and of maintaining continuity. Supplying bridge funding for one year allows DSM programs to continue providing services, but not commit to three full years of funding for programs that are not headed in the right direction. Instead, the Commission should take one year to resolve the problems across the board and start full cycles for all three DSM portfolios in 2010 based on an integrated Strategic Plan.

[22] Demand Response filings A.08-02-001, A.08-06-002, and A.08-06-003.

DRA believes that such bridge funding would reduce the pressure on both Commission and stakeholder resources. Energy Division could complete its verification of 2006-08 portfolios with plenty of time to ramp-up EM&V for 2010-12. For bridge funding year 2009, there should be a moratorium on shareholder incentives while the incentive mechanism is being evaluated and revised to better reflect long-term strategic planning and market transformation. Developing the Strategic Plan and the portfolios in a linear, sequential manner would result in more effective portfolios that reflect the strategic planning foundation. In the interim, the Commission should evaluate whether the current portfolio administrative structure fits with the new strategic planning model as part of the new OIR.

Furthermore, given the current delayed process for energy efficiency, the Commission's programs already appear as though they will commence three to six months late. DRA, therefore, recommends that the Commission delay the start of full, 3-year cycle DSM programs for one year to commence in January 2010 in order that it can reflect the Strategic Plan. Proceeding in a process-oriented manner will serve to provide time to fix the problems in a broken Energy Efficiency program and resolve issues in other DSM proceedings, rather than undertaking a quick-fix, band-aid method that only sweeps issues under the rug, but does not solve them. Delaying all programs to a January 2010 start day allows all programs to get on the right track and addresses the Commission's desire to have all three DSM programs on the same cycle.

DRA believes that taking the time to gather additional information and rectify problems during a bridge funding year would provide the avenue to lay a solid foundation for healthy DSM programs. California DSM programs will take two giant steps forward in 2010, if all of the elements of the strategic plan, including utility portfolios, can be aligned. If the Commission does not take this step, DRA believes that we will be seeking to resolve these same problems two years from now.

II. CONCLUSION

For the Commission to proactively undertake a new OIR is a significant positive step toward maximizing energy savings in California. Yet to achieve the Commission's goals under this new OIR, ratepayer funded energy efficiency programs will be needed. Currently, all of that funding is perceived to be managed as part of the energy efficiency portfolios. If the Utilities as energy efficiency portfolio administrators embark on yet another three-year funding cycle that does not reflect a strategic plan, then DRA perceives that this would put at risk billions of dollars in ratepayer funds. Accordingly, DRA continues to advocate that the schedule to launch new portfolios be re-configured to allow portfolios to reflect the Strategic Plan with the proper foundation of appropriate incentives, goals, and market transformation rules.

While DRA appreciates and fully supports the Commission's leadership role to coordinate DSM activities across jurisdictions so that all of California may benefit from a collaborative strategic planning effort, the fact is that where the Commission has true jurisdiction is with the IOUs. The Commission's ability to put billions of ratepayer dollars behind energy efficiency programs is a powerful one. On the other hand, the magnitude of the budget alone has the ability to create merely the perception that California is doing meaningful work. The Commission should prioritize the strategic planning process in advance of developing energy efficiency portfolios. If the Commission does not first ensure that a Strategic Plan is developed to guide the planning of the portfolios, at a minimum the Plan will be meaningless for the next three years. More significantly, it may waste the current opportunity of demonstrated leadership that may never be regained.

And finally, extending the market transformation approach of strategic planning to energy efficiency portfolio planning is imperative in order to realize the permanent, unsubsidized adoption of energy efficiency in California.

In summary, in order for the Commission to attain a viable long-term Strategic Plan that optimally guides the future of DSM programs to achieve Market Transformation, DRA believes the following actions must be taken:

- Revise the name and scope of the Strategic Plan to be an integrated DSM strategic plan.
- Energy Division should manage Strategic Plan process guided by a representative advisory task force and assisted an expert strategic planning consultant.
- Define clear rules for market transformation evaluation and measurement.
- DSM program portfolios must be developed based upon a strategic plan as finalized by Energy Division, which will provide spending authority for all DSM programs.
- Delay approval of three year DSM portfolio cycles till 2010 and provide one year of bridge funding for each.
- Revise more accurate net savings goals for utility programs during the one year bridge funding period.
- Evaluate the current incentive mechanism and revise the incentive mechanism going forward to reflect long-term strategic planning and market transformation success.

Respectfully submitted,

/s/ Diana L. Lee

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July 9, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **"THE DIVISION OF RATEPAYER ADVOCATES' PROTEST ON JUNE 2, 2008 REVISED CALIFORNIA ENERGY EFFICIENCY STRATEGIC PLAN"** in **A.08-06-004** by using the following service:

[X] E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

[X] U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on 9th of July at San Francisco, California.

/s/ Angelita F. Marinda

Angelita F. Marinda

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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